

n
s
d
s
e
t,
d
d
it

9

ted
t is

of
nied
to

FILE COPY
JAN 11 1939

CHARLES ELMSLEY
CLERK

IN THE

Supreme Court of the United States

October Term, 1938

No. 582

ELECTRICAL FITTINGS CORPORATION, JOSEL-
SON SALES CORPORATION, SAMUEL JOSEL-
SON and BELLE JOSELSON,

Petitioners,

vs.

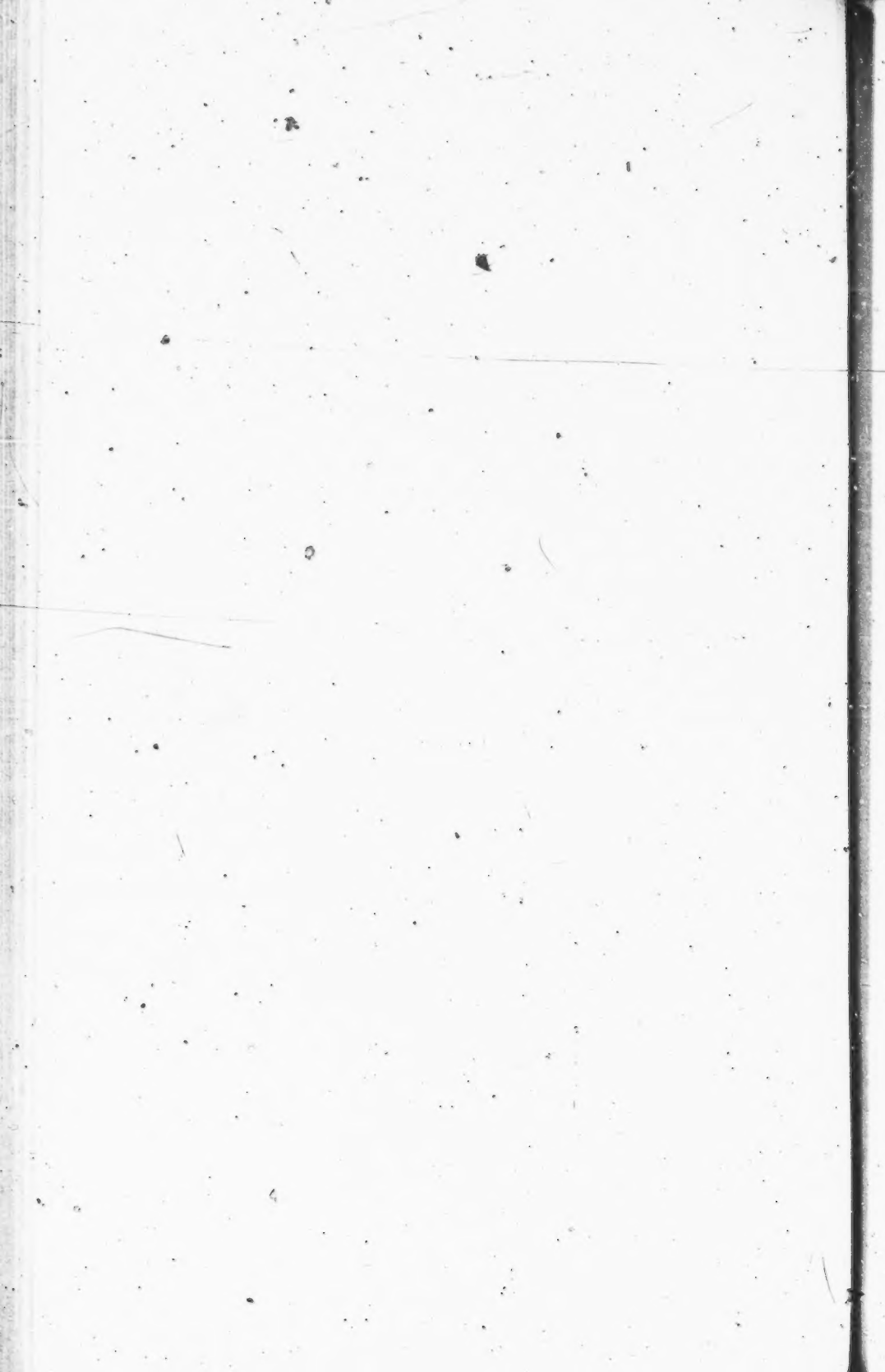
THE THOMAS & BETTS CO. and NATIONAL
ELECTRIC PRODUCTS CORPORATION,

Respondents.

PETITION FOR WRIT OF CERTIORARI AND
BRIEF IN SUPPORT THEREOF.

SAMUEL E. DARBY, JR.,
Counsel for Petitioners.

FLOYD H. CREWS,
Of Counsel.



INDEX

	PAGE
Petition for Writ of Certiorari.....	1
Summary and short statement of the matter involved.....	2
The question presented.....	6
Reasons relied upon for the grant of a writ of certiorari.....	7
Brief in Support of Petition for Writ of Certiorari.....	9
Opinions of the Court below.....	9
Jurisdiction.....	9
Statement.....	10
Specification of errors.....	10
Summary of Argument.....	10
Argument.....	10
POINT I—The question presented involves an important question of patent law which has never been but should be decided by this Court.....	10
POINT II—The Court of Appeals for the Second Circuit has decided an important question of patent law in a way which is in direct conflict with the decision of the Court of Appeals for the Ninth Circuit, and with the practice of the Court of Appeals for the Sixth Circuit.....	14
POINT III—The Court of Appeals for the Second Circuit in the present case has judicially sanctioned, by a refusal of review, an ingenious device to evade the rules of law stated by this Court in the <i>Lincoln Engineering</i> case (303 U. S. 695), in the <i>Carbice</i> case (283 U. S. 27), and the <i>Barber Asphalt</i> case (302 U. S. 458); whereby a patent for a combination of elements is utilized to create a monopoly in one of the unpatented elements thereof, as well as to create a dominating control of wholesale distribution of electrical fittings.....	16

POINT IV—The Court of Appeals for the Second Circuit, in dismissing petitioners' appeal from a decree of validity of the Fullman patent, has thereby subjected petitioners to the doctrine of <i>res adjudicata</i> which will preclude petitioners from establishing the obvious invalidity of the patent in subsequent litigation which has already been threatened	17
Conclusion	18

List of Cases.

Carbice Corp. v. American Patents Development Corp., 283 U. S. 27	7, 9
Corning v. The Tray Iron & Nail Factory, 15 How. 449	10
General Talking Pictures Corp. v. Western Electric Co., et als., 304 U. S. 175	9
Leitch Manufacturing Co. v. Barber Asphalt Co., 302 U. S. 468	7, 9, 16
Lincoln Engineering Co. v. Stewart Warner Corp., 303 U. S. 695	7, 16
Monarch Marking System Co. v. Dennison, 92 Fed. (2) 90, C. C. A. 6th	15
Oliver-Sherwood Co. v. Patterson-Ballagh Corp., 95 Fed. (2) 71, C. C. A. 9th	14
Railway Manufacturing E. Co. v. Oregon Short Line R. Co., 79 Fed. (2) 469, C. C. A. 10th	5

IN THE
Supreme Court of the United States
October Term, 1938

No.

ELECTRICAL FITTINGS CORPORATION, JOSEL-
SON SALES CORPORATION, SAMUEL JOSEL-
SON and BELLE JOSELSON,

Petitioners,

vs.

THE THOMAS & BETTS CO. and NATIONAL
ELECTRIC PRODUCTS CORPORATION,

Respondents.

PETITION FOR WRIT OF CERTIORARI.

*To the Honorable, The Chief Justice and Associate Justices
of the United States:*

Your petitioners, Electrical Fittings Corporation, Joselson Sales Corporation, Samuel Joselson and Belle Joselson, respectfully pray for a writ of certiorari to the Circuit Court of Appeals for the Second Circuit to review the judgment of that Court entered on December 12, 1938.

A transcript of the record in the case, including the proceedings in the said Circuit Court of Appeals, is furnished herewith in accordance with the rules of this Court.

Summary and Short Statement of the Matter Involved.

1. This is a patent infringement suit.
2. The individual petitioners, Samuel Joselson and Belle Joselson are part owners and officers of the corporate petitioners, of which Joselson Sales Corporation has ceased to be active. Electrical Fittings Corporation is engaged in the business of wholesale jobbing and distributing of electrical fittings, such as outlet boxes, connectors, fuses, plugs, etc.
3. The electrical fittings sold by petitioner Electrical Fittings Corporation are purchased from the manufacturers thereof; none of the petitioners are engaged in the manufacture of these commodities.
4. Respondent, National Electric Products Corporation, a Delaware corporation, is recognized as dominating the electrical business in the supply of wires, cables, bushings, fittings, etc. It is the owner of Fullman Patent No. 1,769,947 in suit, and has granted an exclusive license thereunder to respondent, The Thomas & Betts Co., a New Jersey corporation.
5. The patent relates to an electrical outlet for connecting the wire terminals of a source of current supply to conductors by which the current is conducted to a distant place. Outlet boxes are very old in the art, and have long been regarded as necessary "electrical fittings" in building construction. What is claimed as the invention is a combination of four elements—(1) an armored cable; (2) a bushing of insulating material positioned within the cable; (3) a connector of a particular construction; and means for securing the connector to the armored cable.

6. Although the patent is expressly directed and limited to the foregoing four element combination, respondents are utilizing the patent to effect and maintain a monopoly in but one of the elements, namely the connector (No. 3 above) which is unpatented *per se*. This respondents do by granting licenses to all known manufacturers of the unpatented connectors (R. p. 31, fol. 93) on the term or condition that the licensees will sell the unpatented connectors to jobbers, wholesalers, etc., only at the prices fixed by respondent, The Thomas & Betts Co. (R. 214, par. 5) *and only to purchasers approved by said respondent and named on a so-called "approved list" which respondent formulates and supplies to the licensees*. To this list respondent expressly reserves the right to "from time to time add or remove names" at its will (R. 216, par. 7).

7. By means of this patent and these licenses, respondents have been placed in the position where they can and do dictate to whom unpatented connectors can be sold, thereby dominating and controlling the business in current outlets and, as a condition to including any jobber of electrical equipment on the "approved" list of purchasers of the unpatented connectors, respondents may impose upon the jobber-purchaser any conditions or terms they may see fit, such for example, as imposing price or other restrictions on other unpatented commodities, compulsory acquisition of respondents' commodities, etc.

8. Thus, and by these means, respondents seek to effect and maintain a control over the wholesale jobbing and distribution of electrical fittings and supplies.

9. Because petitioners purchased the unpatented connectors from a manufacturer thereof who theretofore had been one of respondents' licensees but whose license had

been cancelled, and jobbed them to petitioners' customers for use with electrical outlets and armored cable, respondents instituted suit in the Southern District of New York against petitioners charging them with *contributory* infringement of the Fullman patent. Petitioners denied infringement and, additionally, asserted invalidity of the patent.

10. On March 22, 1938 the District Court filed its opinion (23 Fed. Supp. 920) finding claim 1 of the patent to be valid, claim 2 of the patent to be invalid, and ordered the complaint to be dismissed because plaintiffs had failed to prove that the connectors purchased and resold by petitioners were manufactured by the licensed manufacturer *subsequent* to the cancellation of its license, rather than prior thereto.

11. On April 27, 1938 the District Court entered a final decree to that effect (R. 276).

12. On June 28, 1938 petitioners filed a petition for an appeal from that part of the decree which found validity for claim 1 of the Fullman patent, and the order allowing the appeal was entered on the same day (R. 290-291). Respondents filed no appeal then or thereafter from the decree of the District Court, and filed no disclaimer of the invalidated claim 2 until August 19, 1938, 150 days after the opinion of invalidation, and 114 days after the decree to that effect.

13. Respondents thereafter (on Oct. 4, 1938) procured a reissuance of the Fullman patent (as Reissue Patent No. 20,873), in which the invalidated claim 2 of the original patent was omitted, validated claim 1 was retained, and two additional claims "broader than claim 1" were added.*

* This language is from a letter of respondent, The Thomas & Betts Co., to which reference is made hereinafter (see par. 16).

14. On November 9, 1938 the appeal was filed in the Court of Appeals for the Second Circuit.

15. On November 10, 1938, respondents presented a motion to the Court of Appeals for a dismissal of the appeal on the ground that the

"bill of complaint having been dismissed by the final decree of the District Court * * * all equitable jurisdiction is ousted and the defendants-appellants' appeal merely raises a moot or academic question of law" (R. 301).

At the same time petitioners, under the practice outlined in *Railway Engineering E. Co. v. Oregon Short Line R. Co.*, 79 Fed. (2) 469, C. C. A. 10, moved for a summary judgment of invalidity of the patent in its entirety because of respondents' unreasonable delay in filing disclaimer of the invalidated subject matter under Sections 4917, 4922 of the Revised Statutes. These motions were argued before the Court of Appeals on November 14, 1938.

16. On November 25, 1938, while the motions were pending decision by the Court of Appeals, respondent, The Thomas & Betts Company, addressed the following communication to petitioner, Electrical Fittings Corporation:

"November 25, 1938

"Electrical Fittings Corporation,
663 Broadway,
New York City.

Gentlemen:

We enclose herewith a copy of reissue patent #20873 of Fullman patent #1,769,477.

You will notice that claim 2 of the original patent has been disclaimed and that two additional claims have been added, both of which are broader than the original claim 1.

*We hereby demand that you purchase connectors embodying the improvements claimed and described in this reissue patent from licensees of this company only.**

Very truly yours,

THE THOMAS & BETTS CO.
(Sgd) Adnah McMurtrie,
Secretary"

The plain inference from this letter is that petitioners will again be sued for infringement of the patent unless respondent's "demand" is complied with.

17. The Court of Appeals on December 12, 1938 granted respondents' motion and dismissed the appeal, indicating that it regarded that portion of the opinion *and the decree* of the District Court which sustained claim 1 of the patent as valid, to be *obiter dictum*. Petitioners' motion was denied without consideration of its merits (R. 319, 320).

18. From the dismissal of the appeal petitioners present this petition for a writ of certiorari.

The Question Presented.

The ~~sole~~ question presented for decision by the Court, in the event a writ of certiorari is granted, is whether or not the defendant in a patent-infringement suit has a right of appeal from a decree of the District Court holding one or more claims of the patent in suit to be valid, even though the complaint is ordered dismissed.

* Italics ours throughout.

Reasons Relied Upon for the Grant of a Writ of Certiorari.

The discretionary power of the Court is invoked upon the following grounds:

1. The question presented involves an important question of patent law which has never been but should be decided by this Court.

2. The Court of Appeals for the Second Circuit has decided an important question of patent law in a way which is in direct conflict with the decision of the Court of Appeals for the Ninth Circuit and with the practice of the Court of Appeals for the Sixth Circuit.

3. The Court of Appeals for the Second Circuit in the present case has judicially sanctioned, by refusal of a review, an ingenious device to evade the rules of law stated by this Court in the *Lincoln Engineering* case (303 U. S. 695), the *Carbice* case (283 U. S. 27), and the *Barber Asphalt* case (302 U. S. 458), whereby a patent for a combination of elements is utilized to create a monopoly in one of the unpatented elements thereof, as well as to create a dominating control of wholesale distribution of electrical fittings.

4. The Court of Appeals for the Second Circuit, in dismissing petitioner's appeal from the decree of validity of the Fullman patent, has subjected petitioner to the doctrine of *res adjudicata* which will preclude petitioner from establishing the obvious invalidity of the patent in subsequent litigation which has already been threatened.

WHEREFORE your petitioners respectfully pray that a writ of certiorari be issued out of and under the seal of

this Court directed to the United States Circuit Court of Appeals for the Second Judicial Circuit sitting at New York, New York, commanding the said Court to certify and send to this Court, on a day to be designated, a full and complete transcript of the record and all proceedings in the Circuit Court of Appeals had in this cause, to the end that this cause may be reviewed and determined by this Court; that the judgment of the Circuit Court of Appeals be reversed; and that petitioners be granted such other and further relief as may seem proper.

SAMUEL E. DARBY, JR.,
Counsel for Petitioners.

FLOYD H. CREWS,
Of Counsel.

Dated: New York, N. Y.,
January 5, 1939.

BRIEF FOR PETITIONERS IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI.

Opinions of the Courts Below.

The opinion of the District Court is found at 23 Fed. Supp. 920, and at R. 775.

The opinion of the Court of Appeals is not yet reported but will be found in the printed record (p. 317).

Jurisdiction.

The grounds of jurisdiction are:

1. The date of the judgment to be reviewed is December 12, 1938.
2. The judgment was rendered in a suit in equity brought under the patent statutes to determine the issues of validity and infringement of Letters Patent of invention.
3. The statute under which jurisdiction is invoked is Section 240(A) of the Judicial Code (28 U. S. C. 347, as amended by the Act of February 13, 1925).
4. Cases believed to sustain the jurisdiction are:

General-Talking Pictures Corp. v. Western Electric Co. et al., 304 U. S. 175;

Leitch Manufacturing Co. v. Barber Asphalt Co., 302 U. S. 458;

Carbice Corp. v. American Patents Development Corp., 283 U. S. 27.

Statement.

The facts are sufficiently stated in the petition.

Specification of Errors.

The errors which petitioners will urge, if the writ of certiorari is granted, are that the Court of Appeals erred—

1. in dismissing the appeal from the decree of the District Court insofar as it adjudged claim 1 of Fullman Patent No. 1,769,947 to be valid.
2. in failing to consider and determine the validity of claim 1 of Fullman Patent No. 1,769,947.

Summary of Argument.

The points of argument will follow the reasons relied upon for the grant of a writ of certiorari, and are stated on page 7 of the petition, as well as in the index hereto. For the sake of brevity they are omitted at this point.

ARGUMENT.

POINT I.

The question presented involves an important question of patent law which has never been but should be decided by this Court.

So far as we have been able to find, this Court has never passed upon the question here presented, namely, whether or not the defendant in a patent infringement suit has a right of appeal from a decree which adjudges a patent claim to be valid, but dismisses the complaint on other grounds.*

* Cf. *Corning v. The Troy Iron and Nail Factory*, 15 Howard 449.

The importance of the question is best illustrated by the situation created in the present case. Petitioners were sued for contributory infringement. The complaint was dismissed because of failure of proof of infringement. The District Court, however, by *final decree* adjudged validity for the patent claim. In consequence, in any subsequent suit brought against respondents—and one is threatened—petitioners will be faced by the doctrine of *res adjudicata* because of the final decree in the case between the same parties, and be thereby prevented from questioning the validity of the patent throughout its life.

Moreover, petitioners, being charged merely with *contributory* infringement, are under the duty, if not the commercial necessity, to openly and avowedly defend any of its customers who may be charged with *direct* infringement of the patent by reason of acquisition of the unpatented connectors from petitioners. In any and all of such suits petitioners would likewise be faced with the doctrine of *res adjudicata*, and be precluded from questioning the validity of the patent.

Therefore, by this shrewd device respondents are in the position, summarily and arbitrarily, without notice or hearing, to put petitioners out of business by their control over these unpatented connectors. All they need do is blacklist petitioners with respondents' manufacturer licensees. Petitioners have never manufactured connectors, nor could they then manufacture connectors, because the validity of claim 1, as well as its infringement by such manufacture, is *res adjudicata* against them.

Moreover, the question is one of great public importance. The statute which created patent monopolies limited the validity of a patent grant to a mere presumption which could be rebutted and overcome in accordance with judi-

cial procedure carefully and precisely outlined. The public interest, and insurance against the creation of a patent monopoly without basis therefor, was therein fully protected by right of appeal and review.

The Court of Appeals below has vitiated this right of petitioners and nullified the statutory protection of the public interest upon the theory that the District Court, having reached the conclusion that the complaint should be dismissed for non-infringement, it should not have passed on the validity of the patent, and that, therefore, the conclusion of the District Court on the subject of validity was, in practical effect, mere *obiter dictum*. In thus disposing of the case the Court of Appeals overlooked three impelling factors which should have led it to a different conclusion.

1. Even if it be assumed that the District Court should not have passed upon the subject of validity, the fact remains that it did do so, and while, under the theory of the Court of Appeals, the conclusion of validity for the patent expressed in the *opinion* of the District Court may be disregarded as mere *obiter dictum*, petitioners' appeal is predicated upon the *final decree* of the District Court, not the *opinion*.* We know of no authority, and the Court of Appeals cites none, to support even the inference that the express provisions of a *final decree* can be regarded, in legal or other effect, as *obiter dictum*.

2. In the next place, the doctrine of *res adjudicata* applies, not only to the parties but to their privies as well, and not only to all matters decided, but to all matters which could have been decided in the suit. The facts in the present case meet the most exacting requirements for the ap-

* Even on this theory petitioners would be unwarrantably subjected to the doctrines of *comity* and *stare decisis*.

plication of the doctrine, and there can be no question but that respondents' tactics are dictated by a complete reliance upon the applicability of the doctrine to petitioners in future litigation which respondents have already threatened.

3. Finally, it is the commonly accepted practice in patent infringement suits involving both issues of validity and infringement, for the District Court to make findings and conclusions on *both* issues for the benefit of the Appellate Court. Considerations, such as final determination of litigated questions, elimination of piecemeal litigation, etc., support such practice. The decision of the Court of Appeals in the present case either throws a cloud on the propriety of such practice, or deprives a defendant in a patent infringement suit of the right of review of any District Judge who arbitrarily or otherwise decrees validity of a patent in an infringement suit which is dismissed on other grounds.

Another measure of the importance of the question here presented resides in a consideration of the position in which respondents have placed themselves in this case. By means of a final decree of one District Court on this patent, and by means of licenses to all known manufacturers of the unpatented connector, respondents have placed themselves in a position whereby domination of the entire business of wholesale jobbing and distribution of complete lines of electrical fittings is effected. This ingenious device will be rapidly seized upon in other industries, and infringement suits started on patents of extremely doubtful validity against alleged infringers as to whom no just claim of infringement can be made. A District Judge may then, as was done in this case, dismiss the complaint for want of infringement, but decree the validity of the patent. Each

defendant in such suits will be deprived of any right of review of the decree of validity, and be precluded throughout the life of such patents from ever questioning the validity thereof. Thus, invalid patents may be set up and dominate industries merely because of arbitrary or ill advised action of a single District Judge.

It is submitted, therefore, that the question presented is of such importance that this Court should grant a certiorari in this case and pass upon it.

POINT II.

The Court of Appeals for the Second Circuit has decided an important question of patent law in a way which is in direct conflict with the decision of the Court of Appeals for the Ninth Circuit and with the practice of the Court of Appeals for the Sixth Circuit.

The question presented in this case was squarely passed upon by the Court of Appeals for the Ninth Circuit in *Oliver-Sherwood Co. v. Patterson-Ballagh Corporation*, 95 Fed. (2d) 71, as noted in the opinion of the Court of Appeals below. In that case the District Court for the Southern District of California, Central Division, held two of the patents involved in the suit to be valid but not infringed. The plaintiff appealed from the decree of non-infringement, and the defendant appealed from the decree of validity. On the appeal the plaintiff contended that the defendant's appeal could not be heard for the same reason urged by respondents in the present case. The Court, in rejecting the contention, stated (p. 72):

“This position cannot be maintained, although in view of the fact that the plaintiffs by their appeal

have presented an opportunity for the cross-appellants to attack the finding of validity in the plaintiffs' patents, *the cross-appellants were not confined to that remedy which might have been destroyed by plaintiffs' dismissing their appeal.* It is true that no accounting was ordered and no relief granted against the Patterson-Ballagh Corporation but, as a party to the action, it would be bound in any future litigation between the parties by the adjudication herein that these two patents were valid. The validity of these two patents was placed in issue by the Patterson-Ballagh Corporation, and was litigated and determined adversely to its contentions. So far as its present design of rubber collars is concerned it might well rest upon the finding of non-infringement, but is not compelled to do so. We therefore hold that the Patterson-Ballagh Corporation on its cross-appeal is entitled to attack the validity of these patents."

From the foregoing it will be seen that there is direct conflict between the decision of the Court of Appeals for the Ninth Circuit, and the Court of Appeals below in the present case, on this very important question of patent law.

Moreover, the Court of Appeals for the Sixth Circuit in the case of *Monarch Marking System Co. v. Dennison*, 92 Fed. (2d) 90, passed on the merits of an appeal by the defendant from a decree of the District Court holding validity but non-infringement. In that case four patents were involved in the suit. As to two of the patents the District Court decreed validity but non-infringement. Both plaintiff and defendant appealed from the decree. Apparently, no question was raised as to the right of the defendant to appeal from the decree insofar as it found validity. The Court of Appeals raised no question as to such right, and passed on the merits of the appeal.

POINT III.

The Court of Appeals for the Second Circuit in the present case has judicially sanctioned, by a refusal of review, an ingenious device to evade the rules of law stated by this Court in the *Lincoln Engineering* case (303 U. S. 695), in the *Carbice* case (283 U. S. 27), and the *Barber Asphalt* case (302 U. S. 458), whereby a patent for a combination of elements is utilized to create a monopoly in one of the unpatented elements thereof, as well as to create a dominating control of wholesale distribution of electrical fittings.

As hereinbefore pointed out, the patent is for a four element combination forming an old, well known outlet box. The sole novelty of its disclosure resides in the particular construction of but one of its elements, namely the connector, which is unpatented *per se*. Obviously, therefore, the patent on its face is invalid as being for a mere aggregation under the familiar rule last stated by this Court in the *Lincoln Engineering* case, 303 U. S. 695. In consequence, the District Judge committed an error of law in sustaining the validity of the patent, which error no doubt will be corrected by the Court of Appeals if petitioners' right of appeal is sustained by this Court.

Additionally, it is apparent that respondents are utilizing this patent in a manner and for a purpose which this Court condemned in the *Barber Asphalt* case, 302 U. S. 458. That case was decided by this Court on January 3, 1938, after the District Court in the case at bar had filed its opinion sustaining the validity of claim 1 of the patent. In consequence, petition for rehearing was filed (R. 279 *et seq.*) calling to the attention of the District Court the controlling

effect of the decision of this Court in the *Barber Asphalt* case. The District Court, however, declined to apply the rule of the *Barber Asphalt* case, and, thereafter, on April 23, 1938, entered its final decree here complained of (R. 276). Here, again, the error of the District Court undoubtedly will be corrected by the Court of Appeals on review, if petitioners' right of appeal is sustained by this Court.

Finally, because the Court of Appeals below concluded that petitioners were not possessed of the right of appeal, it declined to pass on the merits of petitioners' motion for summary judgment of invalidity of the patent in its entirety because respondents took no appeal from the decree of invalidity of claim 2, and unreasonably delayed to file a disclaimer thereof for a period of 150 days after the opinion of invalidity, and 114 days after the decree to that effect. There can be no doubt but that if the Court of Appeals had passed on the merits of this motion it would have found invalidity of the patent, and will so find if petitioners' right of appeal is sustained by this Court.

POINT IV.

The Court of Appeals for the Second Circuit, in dismissing petitioners' appeal from a decree of validity of the Fullman patent, has thereby subjected petitioners to the doctrine of *res adjudicata* which will preclude petitioners from establishing the obvious invalidity of the patent in subsequent litigation which has already been threatened.

The substance of this point has been covered in the argument presented under Point I hereof. It requires no additional argument beyond the mere statement.

Conclusion.

WHEREFORE, petitioners earnestly pray that the petition for a writ of certiorari be granted, the cause reviewed, and the judgment of the Court of Appeals for the Second Circuit reversed, with instructions to reinstate petitioners' appeal and consider the merits thereof.

Respectfully submitted,

SAMUEL E. DARBY, JR.,
Counsel for Petitioners.

FLOYD H. CREWS,
Of Counsel.

